**DIRECT TESTIMONY OF**

**NEVILLE O. LORICK**

**ON BEHALF OF**

**SOUTH CAROLINA ELECTRIC & GAS COMPANY**

**DOCKET NO. 2001-420-E**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION WITH SOUTH CAROLINA ELECTRIC AND GAS COMPANY (SCE&G).**

A. Neville O. Lorick, 1426 Main Street, Columbia, South Carolina. My position is President and Chief Operating Officer of South Carolina Electric & Gas Company (SCE&G).

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.**

A. I have a B.S. in Mechanical Engineering from The University of South Carolina. I began my employment with SCE&G in April 1971, as a student assistant and was hired full time in January 1975, as an engineer. In March 1978, I became the Assistant Plant Manager for our Canadys Station Fossil Steam Plant and in September 1982, was promoted to Plant Manager. In July 1988, I was promoted to General Manager, Fossil and Production Operations. In this position, I was responsible for all of the Company's Fossil Fuel Plants and the Fossil Production Corporate Staff. In

December 1992, with reorganization, my title was changed to Manager of Production Support. In December 1994, I was named Manager of Operation Services and my responsibilities included the management of Support Staff and their interface with the Fossil/Hydro Departments. In July 1995, I was promoted to the position of Vice President of Fossil & Hydro Operations. In December 2000, I was elected by the SCANA Board of Directors to be President and Chief Operating Officer of SCE&G.

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

**A.** The purpose of my testimony is to provide to the Commission an overview of the comprehensive planning that the Company has undertaken in connection with the proposed Jasper County Generation Project; to explain to the Commission how we at SCE&G arrived at the decision reflected in this application; and to discuss why we believe this decision best addresses the needs of the Company and our customers.

The decision of SCE&G is to build a combined-cycle power plant on a rural site adjacent to the Savannah River near Hardeeville in Jasper County, South Carolina. The witnesses who will follow me will discuss our planning process and provide our analysis and support for each decision made.

Dr. Joseph Lynch will address our assessment of the capacity need for electric power in the SCE&G service area and why we believe the assessment is correct. He will also discuss the financial and economic reasoning that underlies the decisions we have made regarding the construction of a new plant at the Jasper County site.

Mr. Stephen M. Cunningham will describe the production system and other infrastructure required to support the plant and will discuss arrangements with Duke-Flour Daniel for the engineering, procurement, and construction of the project.

Finally, Mr. Jack Preston will explain the environmental considerations involved with the Jasper County plant site and affirm the Company's commitment to protecting the environment.

Through this testimony we will demonstrate to the Commission that our decision-making has been consistently aimed at providing reliable, safe, high quality, cost-effective power for the customers of SCE&G. In all these considerations our decisions reflect our best judgment.

**Q. PLEASE EXPLAIN TO THE COMMISSION HOW SCE&G INITIATED THE PROCESS THAT LED TO THE DECISION FOR THE JASPER COUNTY GENERATION PROJECT.**

A. Similar to the past processes with respect to generation construction, our planning process emerged from SCE&G's annual load and resource forecast. Based on our projections of growth in peak demand on our system after 2001, we anticipate the need for 254 megawatts of additional capacity by 2004 and 480 megawatts by 2006. These projections of need take into account the capacity to be added to the system by the Urquhart Re-powering Project and the upgrades to the Fairfield Pumped Storage Plant.

We considered meeting this need for capacity by adding two combustion turbines (CTs) of 150 megawatts each in 2004 and a third CT in 2006. However, we found that it was more economical to add the two CTs in a combined-cycle configuration. This would add 459 megawatts to the system in 2004 and would produce electricity more efficiently than in a simple cycle configuration. Finally, we determined that if we increased the scale of the combined-cycle plant by using three CTs and supplementary duct-firing, then the cost of incremental capacity would be about 60% less than the cost of base capacity. We would not, however, be comfortable adding that much total capacity -- 875 megawatts -- in 2004 for our territorial customers. Therefore, we arranged a firm,

long-term sale of 250 megawatts for nine years to carry the cost of the incremental capacity until our South Carolina customers need it. This process will lock-in economy of scale benefits of the larger plant for our native load customers. When we compared this option to the other options available, it was clearly the best choice for us and for our customers. Dr. Lynch will present more of the details of these comparisons and will discuss our reserve margin range of 12% to 18%.

In short, the decision to build a plant in Jasper County, using three combustion turbine generators in a combined-cycle configuration yielding 875 megawatts of capacity is a prudent solution for meeting our customers' needs for economical and reliable energy. The total project cost, excluding transmission system improvements but including Allowance for Funds Used During Construction (AFUDC), will be approximately $450,000,000.

**Q. MR. LORICK, WERE THERE ANY OTHER FACTORS THAT ENTERED INTO THE DECISION-MAKING PROCESS?**

A. Yes, another important aspect of the decision-making process relates to the availability and volume of natural gas necessary for the operation of the

proposed combined-cycle turbine generators at the Jasper County site.

**Q. WHAT FUEL WILL BE USED TO FIRE THE PROPOSED GAS TURBINE UNITS AT THE JASPER COUNTY SITE?**

A. These units will burn natural gas as the primary fuel, with distillate (No. 2) fuel oil as the secondary fuel.

**Q. HOW WILL NATURAL GAS BE SUPPLIED?**

A. The Jasper County plant site is located close to the Savannah River near the point where SCG Pipeline, Inc. (SCG), a recently formed SCANA subsidiary, is developing plans for connecting to and receiving natural gas from interstate pipelines and from the liquefied natural gas (LNG) facility near Savannah, Georgia. We will obtain our gas requirements via SCG.

**Q. WHAT VOLUMES OF NATURAL GAS WILL BE REQUIRED AND UNDER WHAT CONTRACT TERMS?**

A. The plant would consume approximately 155,000 dekatherms (DT) of natural gas a day at 100% load factor. The Company plans to contract with SCANA Energy Marketing Inc. (SEMI) for 120,000 DT of firm natural gas supply and to purchase the balance on an interruptible basis. This will allow the units to be available and utilized when our electric generation economic dispatch model dictates their need.

**Q. INTERRUPTIBLE NATURAL GAS IS NOT ALWAYS AVAILABLE. HOW WILL THE PLANTS BE FIRED IF NATURAL GAS IS INTERRUPTED?**

A. The peak period for electric usage occurs in the summer when there is usually very little, if any, curtailment of natural gas supply. We plan to have natural gas available to burn at all times except during the severe winter period. When natural gas is not available, we will fire the units on distillate oil. The Company will have oil storage tanks with 3.75 million gallons capacity to supply these units.

**Q. PLEASE DESCRIBE HOW THE PROPOSED JASPER COUNTY GENERATING FACILITY WILL BE CONNECTED TO THE GRID.**

A. Electricity generated by the plant will be delivered to our customers by 230kV lines currently being designed by Company personnel. Additionally, we are planning interconnections from the substation on-site to the Santee Cooper and Southern Company systems. SCE&G will seek siting certification from the Commission for the new transmission lines for this generating project under a separate filing at the appropriate time.

**Q. MR. LORICK, DO YOU HAVE ANY OTHER COMMENTS TO MAKE TO THE COMMISSION?**

A. Yes. All of the factors which I have discussed were measured and carefully evaluated by SCE&G's senior management, and this process resulted in a

recommendation to proceed with the proposed Jasper County Generation Project. Senior Staff carried this recommendation to the SCANA Board of Directors, and the Board accepted the President's recommendation. Now the Company is before the Commission respectfully seeking approval for siting certification for that project.

**Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

**A.** Yes, it does.